

IDEALIST

IDEA-2802-65

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3 September 1965

MEMORANDUM FOR THE RECORD

SUBJECT: Discussions on U-2N Buy

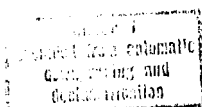
1. On 2 September the undersigned, [] and [] of the NRO Comptroller's Office and Lt. Col. Dave Falk from AFIGO-S regarding the joint request by Director's, Programs B & D for a new U-2 buy. 25X1 25X1

2. The meeting was at the request of [] who apparently has been requested by the BOB to submit alternate approaches, from a financial and scheduling point of view, for a new U-2 buy. During the course of the meeting, the term "full funding" was dropped on the table by [] and he was queried as to its precise meaning and application. He stated that it was DOD policy to fund programs on a task completion basis at the time of go-ahead authorization. He also said that this was being applied to the U-2 buy proposal, which in effect means that if the program had been approved for FY 1966, the NRO would have had to cough up somewhere around \$60M in order to "fully fund." The main purpose of this meeting was to figure out some way of lessening the impact by fiscal year. One method of accomplishing this, as proposed by [] is to "fully fund" for 13 aircraft in one year and 14 the following year. 25X1 25X1

3. At this point [] was asked who instituted the requirement to "fully fund" the program. He indicated that it was the BOB. I told him that as far as I can recall, the Agency has never budgeted on this basis as we had always been on an expenditure basis. I further informed [] that I intended to query our Comptroller's Office as to the necessity for the Agency to go on a "fully funded" program basis, as I was unaware of any agreement to change the ground rules vis-a-vis the Agency. 25X1 25X1

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4. I speculated that the reason for Dr. McMillan's turning down the U-2 buy may have been the inability of the NRO to swallow \$66M within the FY 1966 budget. Col. Falk indicated agreement with this philosophy.

5. Later in the day, I received a call from [] regarding 25X1 the lack of sensor money in our U-2N paper. I told him that I felt we didn't need much sensor money (\$1M to \$2M) until approximately FY 1968 as we could take equipment from the old aircraft as they were replaced by the new. He agreed with this and said that he and [] 25X1 hoped to complete their paper work for the BOB by close of business today. I asked him if he would let me know the results of their analysis, and he said that he would.

SIGNED

[] 25X1
Programs Staff
(Special Activities)

PS/OSA [] jh (3 Sept 65) 25X1

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25 YEAR RE-REVIEW

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